

**SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4-26-06

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
BOARD OF COMMISSIONERS
SEPTEMBER 30, 2005

<u>Commissioners</u>	<u>Office</u>	<u>Year Elected</u>	<u>Term</u>
Don B. Kelly	President	2003	5yrs.
George Griffin	Vice-President	2002	5yrs.
Thomas M. Harless	Sec./Treasurer	2001	5yrs.
Olie Forshee, Jr.		2004	5yrs.
Argus Moore		2000	5yrs.

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
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SEPTEMBER 30, 2005


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SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, Don B. Kelly, President of the South Toledo Bend Waterworks District, who duly sworn, deposes and says, that the financial statements herewith given presents fairly the financial position of South Toledo Bend Waterworks District at September 30, 2005 and the results of operations for the year then ended in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.


President

Sworn to and subscribed before me, this 9th day of February, 2006.

 ID# 033269
NOTARY PUBLIC

HINES, JACKSON & HINES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 2188 - 133 EAST FIFTH STREET
NATCHITOCHES, LA 71457

A. NEILL JACKSON, JR., CPA
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
South Toledo Bend Waterworks District
Many, Louisiana 71449

We have audited the accompanying basic financial statements of the South Toledo Bend Waterworks District, Many, Louisiana, a component unit of the Sabine Parish Police Jury, as of and for the year ended September 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of management of the South Toledo Bend Waterworks District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Toledo Bend Waterworks District as of September 30, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated February 9, 2006 on our consideration of the South Toledo Bend Waterworks District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis information on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the South Toledo Bend Waterworks District taken as a whole. The accompanying supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The financial information for the year ended September 30, 2004, which is included for comparative purposes was taken from the financial report for that year in which we expressed an unqualified opinion dated February 17, 2005, on the basic financial statements of the South Toledo Bend Waterworks District.

Hines, Jackson & Hines

Natchitoches, Louisiana
February 9, 2006

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2005

The Management's Discussion and Analysis of South Toledo Bend Waterworks District's financial performance presents a narrative overview and analysis of South Toledo Bend Waterworks District's financial activities for the year ended September 30, 2005. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in South Toledo Bend Waterworks District's financial statements, which begin on page 8.

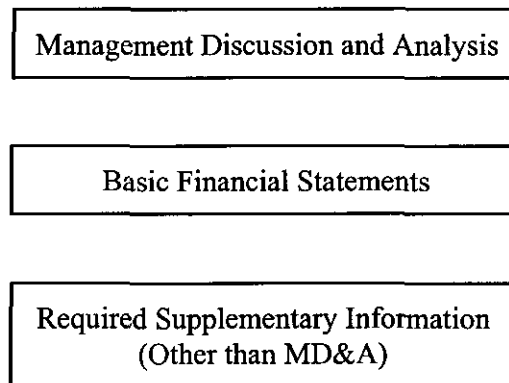
FINANCIAL HIGHLIGHTS

- 1) The South Toledo Bend Waterworks District had cash and cash equivalents and investments of \$200,038 at September 30, 2005 which represents a decrease of \$53,722 from prior year end.
- 2) The South Toledo Bend Waterworks District had accounts receivable of \$108,389 at September 30, 2005 which represents an increase of \$15,208 from prior year end.
- 3) The South Toledo Bend Waterworks District had accounts payable and accruals of \$102,854 at September 30, 2005 which represents an increase of \$28,632 from prior year end.
- 4) The South Toledo Bend Waterworks District had total operating revenues of \$884,041 for the year ended September 30, 2005 which represents an increase of \$112,555 from prior year.
- 5) The South Toledo Bend Waterworks District had charges for services revenues of \$815,863 for the year ended September 30, 2005 which represents an increase of \$99,248 from prior year.
- 6) The South Toledo Bend Waterworks District had total operating expenses of \$962,135 for the year ended September 30, 2005 which represents an increase of \$200,578 from prior year.
- 7) The South Toledo Bend Waterworks District had salaries and commissioners' fees of \$158,865 for the year ended September 30, 2005 which represents an increase of \$53,987 from prior year.
- 8) The South Toledo Bend Waterworks District had interest expense of \$187,714 for the year ended September 30, 2005 which represents a decrease of \$4,976 from prior year.
- 9) The South Toledo Bend Waterworks District had a negative net change in net assets of \$216,304 for the year ended September 30, 2005 which represents a decrease of \$85,946 from prior year.
- 10) The South Toledo Bend Waterworks District had capital asset purchases of \$40,153 for the year ended September 30, 2005 which represents a decrease of \$13,466 from prior year.
- 11) The South Toledo Bend Waterworks District had long-term debt principal payments of \$75,256 for the year ended September 30, 2005 which represents an increase of \$8,965 from prior year.
- 12) The South Toledo Bend Waterworks District had long-term debt of \$3,633,642 for the year ended September 30, 2005 which represents a decrease of \$75,256 from prior year.

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for South Toledo Bend Waterworks District as established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

Basic Financial Statements

This annual report consist of a series of financial statements. The Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Fund Net Assets and Cash Flows (on pages 8, 9 and 10) provide information about the activities of South Toledo Bend Waterworks District as a whole and present a longer-term view of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets report the District's net assets and changes in them. You can think of the District's net assets, the difference between assets and liabilities, as one way to measure the Fund's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
As of Year End

	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 360,309	\$ 409,092
Capital assets, net	<u>5,102,633</u>	<u>5,312,978</u>
Total Assets	<u>\$ 5,462,942</u>	<u>\$ 5,722,070</u>
Accounts payable, accruals and other liabilities	\$ 107,154	\$ 74,722
Long-term debt	<u>3,633,642</u>	<u>3,708,898</u>
Total Liabilities	<u>3,740,796</u>	<u>3,783,620</u>
Net assets		
Investment in capital assets, net of related debt	1,468,991	1,604,080
Restricted	4,291	5,861
Unrestricted	<u>248,864</u>	<u>328,509</u>
Total Net Assets	<u>1,722,146</u>	<u>1,938,450</u>
Total Liabilities and Net Assets	<u>\$ 5,462,942</u>	<u>\$ 5,722,070</u>

Net assets of the South Toledo Bend Waterworks District's decreased by \$216,304 or 11.16% from the previous fiscal year. The decrease is the result of operating and nonoperating expenses exceeding operating and nonoperating revenues during the fiscal year ended 2005 (See table below).

Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended

	<u>2005</u>	<u>2004</u>
Operating Revenues	\$ 884,041	\$ 771,486
Operating Expenses	<u>962,135</u>	<u>761,557</u>
Operating Income	(78,094)	9,929
Nonoperating Revenues/(Expenses)	<u>(138,210)</u>	<u>(140,287)</u>
Change in net assets	<u>\$ (216,304)</u>	<u>\$ (130,358)</u>

The South Toledo Bend Waterworks District's total operating revenues increased by \$112,555 or 14.59% from the previous year. The total operating expenses increased by \$200,578 or 26.34% from the previous year.

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2005, South Toledo Bend Waterworks District had \$5,102,633, net of depreciation, invested in a broad range of capital assets (See table below). This amount represents a net decrease (including additions and deductions) of \$210,345 or 3.96% from the previous year.

Capital Assets at Year End
(Net of Depreciation)

	<u>2005</u>	<u>2004</u>
Land	\$ 82,652	\$ 74,046
Distribution system	5,012,026	5,233,226
Machinery and equipment	7,844	5,281
Furniture and fixtures	111	425
Total	<u>\$ 5,102,633</u>	<u>\$ 5,312,978</u>

This year's major additions included:

Land	\$ 9,999
Distribution system	\$ 25,066
Machinery and equipment	\$ 5,088

This years's major retirements included:

Land	\$ 1,393
Machinery and equipment	\$ 999

Debt

South Toledo Bend Waterworks District had \$3,633,642 in long-term debt outstanding at year end compared to \$3,708,898 at the previous year end, a decrease of \$75,256 or 2.03% as shown in the table below.

Outstanding Debt at Year End

	<u>2005</u>	<u>2004</u>
Revenue bonds	\$ 305,000	\$ 334,000
General obligation bonds	<u>3,328,642</u>	<u>3,374,898</u>
Totals	<u>\$ 3,633,642</u>	<u>\$ 3,708,898</u>

New debt during the year included:

None.

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005

ECONOMIC FACTORS AND NEXT YEAR'S RATES AND FEES

Management of South Toledo Bend Waterworks District consider the following factors and indicators when setting next year's rates and fees. These factors and indicators include:

- 1) Long-term debt
- 2) Cost of operations
- 3) Number of customers
- 4) State and federal grants

The South Toledo Bend Waterworks District's management does not expect any significant changes in next year's results as compared to the current year.

CONTACTING SOUTH TOLEDO BEND WATERWORKS DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the South Toledo Bend Waterworks District's finances and to show South Toledo Bend Waterworks District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Don B. Kelly , President, 3260 Little Flock Road, Many, Louisiana 71449.

EXHIBIT A

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 193,139	\$ 244,974
Accounts receivable	108,389	93,181
Inventory	0	9,604
Prepaid expenses	<u>17,156</u>	<u>15,774</u>
Total Current Assets	318,684	363,533
Noncurrent Assets		
Restricted assets	6,899	8,786
Capital assets, net	5,102,633	5,312,978
Unamortized bond costs, net	34,471	36,518
Deposits	<u>255</u>	<u>255</u>
Total Assets	<u>\$ 5,462,942</u>	<u>\$ 5,722,070</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Current portion of long-term debt	\$ 74,973	\$ 71,941
Accounts payable and accruals	<u>102,854</u>	<u>74,222</u>
Total Current Liabilities	177,827	146,163
Noncurrent Liabilities		
Long-term debt, net of current portion	3,558,669	3,636,957
Customer deposits	<u>4,300</u>	<u>500</u>
Total Liabilities	3,740,796	3,783,620
NET ASSETS		
Investment in capital assets, net of related debt	1,468,991	1,604,080
Restricted		
Retirement of long-term debt	4,291	5,861
Unrestricted	<u>248,864</u>	<u>328,509</u>
Total Net Assets	<u>1,722,146</u>	<u>1,938,450</u>
Total Liabilities and Net Assets	<u>\$ 5,462,942</u>	<u>\$ 5,722,070</u>

The accompanying notes are an integral part of this statement.

EXHIBIT B

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES		
Charges for services	\$ 815,863	\$ 716,615
Connection fees	12,750	13,300
Late fees	46,320	36,456
Miscellaneous	<u>9,108</u>	<u>5,115</u>
Total Operating Revenues	884,041	771,486
OPERATING EXPENSES		
Amortization	2,047	2,047
Automobile expense	10,799	11,896
Bad debt expense	105,174	85,594
Chemicals	86,403	72,230
Collection expense	8,911	9,109
Commissioners' fees	3,720	4,140
Computer services	9,127	9,920
Depreciation	249,005	244,587
Insurance	17,903	19,410
Legal and accounting	18,420	16,470
Licenses and permits	5,077	385
Materials and supplies	20,403	12,634
Meter installation costs	8,250	8,850
Meter reading services	14,360	1,428
Miscellaneous	1,523	1,269
Office and other expenses	8,141	8,274
Payroll taxes	4,882	2,387
Rental	7,281	4,225
Repairs and maintenance	125,949	56,697
Retirement	15,815	9,579
Salaries	155,145	100,738
Secretary services	3,600	3,600
Telephone	2,963	2,865
Training	2,140	1,255
Travel	756	1,369
Utilities	49,064	47,203
Water purchases	<u>25,277</u>	<u>23,396</u>
Total Operating Expenses	<u>962,135</u>	<u>761,557</u>
Operating Income/(Loss)	(78,094)	9,929
Nonoperating Revenues/(Expenses)		
Taxes - ad valorem	47,772	50,996
Interest income	1,732	1,407
Interest expense	<u>(187,714)</u>	<u>(192,690)</u>
Total Nonoperating Revenues/(Expenses)	<u>(138,210)</u>	<u>(140,287)</u>
Change in Net Assets	(216,304)	(130,358)
Net Assets, Beginning of year	<u>1,938,450</u>	<u>2,068,808</u>
Net Assets, End of year	<u>\$ 1,722,146</u>	<u>\$ 1,938,450</u>

The accompanying notes are an integral part of this statement.

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Cash Flows From Operating Activities		
Receipts from customers	\$ 768,952	\$ 766,983
Cash payments to suppliers for goods and services	(417,542)	(399,062)
Cash payments to employees and board members for services	(154,318)	(114,293)
Other operating revenues/(expenses)	<u>0</u>	<u>0</u>
Net Cash From Operating Activities	197,092	253,628
Cash Flows From Capital and Related Financing Activities		
Cash receipts of taxes	47,772	50,996
Principal payments on general obligation bonds	(29,000)	(28,000)
Principal payments on revenue bonds	(46,256)	(38,291)
Acquisition/construction of capital assets	(40,153)	(53,619)
Interest paid	<u>(184,909)</u>	<u>(206,551)</u>
Net Cash From Capital and Related Financing Activities	(252,546)	(275,465)
Cash Flows From Investing Activities		
Interest income	<u>1,732</u>	<u>1,407</u>
Cash Flows From Investing Activities	<u>1,732</u>	<u>1,407</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(53,722)	(20,430)
Cash and Cash Equivalents, Beginning of year	<u>253,760</u>	<u>274,190</u>
Cash and Cash Equivalents, End of year	<u>\$ 200,038</u>	<u>\$ 253,760</u>
	<u>2005</u>	<u>2004</u>
Reconciliation of Operating Income to Net Cash From Operating Activities		
Operating income/(loss)	\$ (78,094)	\$ 9,929
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation expense	249,005	244,587
Amortization	2,047	2,047
Bad debt expense	105,174	85,594
(Increase)/decrease in operating assets		
Accounts receivable	(118,889)	(90,097)
Inventory	9,604	(9,604)
Prepaid expenses	(1,382)	(3,822)
Increase/(decrease) in operating liabilities		
Accounts payable and accruals	25,827	14,494
Customer deposits	<u>3,800</u>	<u>500</u>
Net Cash Flows From Operating Activities	<u>\$ 197,092</u>	<u>\$ 253,628</u>

The accompanying notes are an integral part of this statement.

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

The South Toledo Bend Waterworks District, a political subdivision of the Sabine Parish Police Jury, was formed December 21, 1988. The District's purpose is to provide water service to any user within the geographical bounds of the district. It is operated by a board which consists of five commissioners appointed by the Police Jury to serve terms varying from one to five years.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This Codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles. The accompanying financial statements of South Toledo Bend Waterworks District present information only as to the transactions of the programs of South Toledo Bend Waterworks District as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of South Toledo Bend Waterworks District are maintained in accordance with applicable statutory provisions:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows and consistent with GASB Statement 9, South Toledo Bend Waterworks District defines cash and cash equivalents as follows:

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - includes all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the day of purchase, have a maturity date no longer than three months qualify under this definition.

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Receivables

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

D. Bad Debts

Uncollectible accounts receivable are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. At September 30, 2005, \$194,597 were considered to be uncollectible.

E. Capital Assets

Capital assets are carried at historical costs. Depreciation of all exhaustible capital assets used by South Toledo Bend Waterworks District are charged as an expense against operations in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. Capital assets net of accumulated depreciation are reported on the Statement of Net Assets. Depreciation is computed using the straight line method over the estimated useful life of the assets, generally 10 to 40 years for buildings and building improvements, 7 to 40 years for the distribution system, 5 years for automobiles and 5 to 10 years for machinery and equipment. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Major expenditures for renewals and betterments are capitalized.

F. Compensated Absences

All full time employees of South Toledo Bend Waterworks District are entitled to one week of vacation each year. Vacation time may not be carried over from one year to the next and does not vest or accumulate. Therefore, no liability for compensated absences has been recorded in the accompanying financial statements.

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Unamortized Bond Costs

Bond issue costs and bond discounts are capitalized and amortized over the terms of the respective bonds using a method which approximates the effective interest method. Total bond issue costs and bond discounts (deferred debt expense) paid by South Toledo Bend Waterworks District, was \$55,123. The amortization expense related to deferred debt expense was \$2,047 for the year ended September 30, 2005.

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2005

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

A. Deposits with Financial Institutions

For reporting purposes, deposits with financial institutions including savings, demand deposits, time deposits, and certificates of deposit. Under state law South Toledo Bend Waterworks District may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further the Fund may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The deposits at September 30, 2005 were secured as follows:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Deposits in bank accounts per balance sheet	<u>\$ 200,038</u>	<u>\$ 0</u>	<u>\$ 200,038</u>
 Bank Balances (Category 3 Only, If Any)			
a. Uninsured and uncollateralized	\$ 0	\$ 0	\$ 0
b. Uninsured and uncollateralized with securities held by the pledging institution	0	0	0
c. Uninsured and uncollateralized with securities held by the pledging institution's trust department or agent but not in the entity's name	0	0	0
 Total Category 3 Bank Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
 Total Bank Balances (All Categories Including Category 3 Reported Above)	<u>\$ 224,264</u>	<u>\$ 0</u>	<u>\$ 224,264</u>

The following is a breakdown by banking institution and amount of the balances shown above:

<u>Banking Institution</u>	<u>Amount</u>
Sabine State Bank	<u>\$ 224,264</u>
 Total	<u>\$ 224,264</u>

B. Investments

At September 30, 2005, South Toledo Bend Waterworks District had investments of \$0.

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2005

NOTE 3 RESTRICTED ASSETS

At September 30, 2005, South Toledo Bend Waterworks District had the following restricted assets:

Cash and cash equivalents	\$ 6,899
Total	<u>\$ 6,899</u>

NOTE 4 ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable at September 30, 2005:

<u>Class of Receivable</u>	
Charges for services	\$ 108,281
Other	<u> 108</u>
Total	<u>\$ 108,389</u>

NOTE 5 CAPITAL ASSETS

A summary of South Toledo Bend Waterworks District's capital assets at September 30, 2005 follows:

	Balance September 30, 2004	Additions	Retirements	Balance September 30, 2005
Capital Assets, not being depreciated				
Land	\$ 74,046	\$ 9,999	\$ (1,393)	\$ 82,652
Total Capital Assets, not being depreciated	74,046	9,999	(1,393)	82,652
Capital Assets, being depreciated				
Distribution system	6,717,087	25,066	0	6,742,153
Less accumulated depreciation	<u>(1,483,861)</u>	<u>(246,266)</u>	<u>0</u>	<u>(1,730,127)</u>
Total Distribution System	5,233,226	(221,200)	0	5,012,026
Machinery and equipment	15,086	5,088	(999)	19,175
Less accumulated depreciation	<u>(9,805)</u>	<u>(2,425)</u>	<u>899</u>	<u>(11,331)</u>
Total Machinery and Equipment	5,281	2,663	(100)	7,844
Furniture and fixtures	8,169	0	0	8,169
Less accumulated depreciation	<u>(7,744)</u>	<u>(314)</u>	<u>0</u>	<u>(8,058)</u>
Total Furniture and Fixtures	425	(314)	0	111
Total Capital Assets, being depreciated	<u>5,238,932</u>	<u>(218,851)</u>	<u>(100)</u>	<u>5,019,981</u>
Total Capital Assets, net	<u>\$ 5,312,978</u>	<u>\$ (208,852)</u>	<u>\$ (1,493)</u>	<u>\$ 5,102,633</u>

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2005

NOTE 6 ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable at September 30, 2005:

<u>Class of Payable</u>	
Vendor	\$ 32,502
Salaries and related benefits	20,933
Interest	10,815
Other	<u>38,604</u>
Total	<u>\$ 102,854</u>

NOTE 7 LONG TERM-DEBT

The following is a summary of debt transactions of South Toledo Bend Waterworks District for the year ended September 30, 2005:

	<u>Balance</u> <u>Sept. 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Sept. 30, 2005</u>	<u>Current</u> <u>Amounts</u>
General obligation bonds, series 1992	\$ 255,000	\$ 0	\$ 25,000	\$ 230,000	\$ 25,000
General obligation bonds, series 1998	79,000	0	4,000	75,000	5,000
Revenue bonds #1	2,811,477	0	38,533	2,772,944	37,465
Revenue bonds #2	<u>563,421</u>	<u>0</u>	<u>7,723</u>	<u>555,698</u>	<u>7,508</u>
Total	<u>\$ 3,708,898</u>	<u>\$ 0</u>	<u>\$ 75,256</u>	<u>\$ 3,633,642</u>	<u>\$ 74,973</u>

The terms of the individual debt issues of the District are as follows:

	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
General obligation bonds, series 1992	6.72%	2012	\$ 455,000	\$ 230,000
General obligation bonds, series 1998	5.25%	2018	95,000	75,000
Revenue bonds #1	5.00%	2037	2,999,000	2,772,944
Revenue bonds #2	5.00%	2037	<u>601,000</u>	<u>555,698</u>
Total			<u>\$ 4,150,000</u>	<u>\$ 3,633,642</u>

The annual requirements to amortize all debt outstanding as of September 30, 2005, including interest payments are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Series 1992</u> <u>Bonds</u>	<u>Series 1998</u> <u>Bonds</u>	<u>Revenue</u> <u>Bonds #1</u>	<u>Revenue</u> <u>Bonds #2</u>	<u>Total</u>
2006	\$ 40,026	\$ 8,811	\$ 175,262	\$ 35,122	\$ 259,221
2007	43,143	7,575	175,262	35,122	261,102
2008	41,088	8,335	175,262	35,122	259,807
2009	43,853	7,105	175,262	35,122	261,342
2010	41,429	8,860	175,262	35,122	260,673
Thereafter	<u>80,385</u>	<u>62,160</u>	<u>4,732,074</u>	<u>948,294</u>	<u>5,822,913</u>
Total	<u>\$ 289,924</u>	<u>\$ 102,846</u>	<u>\$ 5,608,384</u>	<u>\$ 1,123,904</u>	<u>\$ 7,125,058</u>

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2005

NOTE 8 LEASES

The South Toledo Bend Waterworks district was not obligated under any noncancellable capital or operating lease commitments at September 30, 2005.

NOTE 9 LITIGATION

The South Toledo Bend Waterworks District is involved in one lawsuit as of the close of business on September 30, 2005. Although the outcome of this lawsuit is not determinable at this stage of the proceedings, the potential losses not covered by applicable insurance is not considered to be significant in relation to the District's overall financial condition.

NOTE 10 RETIREMENT

Substantially all employees of the South Toledo Bend Waterworks District are members of the Parochial Employees' Retirement System of Louisiana (System), a multiple-employer (cost-sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions.

All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan A and Plan B, employees who retire after 30 years of creditable service regardless of age, 25 years of creditable service and at least 55 years of age, or 10 years of creditable service and at least 60 years of age are entitled to a retirement benefit, payable monthly for life, equal to 3% of their average compensation for any 36 months of consecutive service in which their compensation was highest, multiplied by their years of creditable service. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

Contributions to the System include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. State statute requires covered employees to contribute a percentage of their salaries to the System.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Parochial Employees' Retirement System of Louisiana, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (504) 928-1361.

Plan members are required by state statute to contribute 9.50% of their annual covered salary and the South Toledo Bend Waterworks District is required to contribute at an actuarially determined rate. The rate was 11.75% from October 1, 2004 through December 31, 2004 and 12.75% from January 1, 2005 through September 30, 2005 of annual covered payroll. The contribution requirements for plan members and the South Toledo Bend Waterworks District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The South Toledo Bend Waterworks District contributions to the System for the years ended September 30, 2005, 2004 and 2003, were \$15,815, \$9,579 and \$7,074, respectively, equal to the required contributions for each year.

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2005

NOTE 11 AD VALOREM TAXES

The ad valorem taxes are dedicated solely for the payment of general obligation bonds and the interest thereon.

Ad valorem taxes are assessed on a calendar year basis, become due on October 31 of each year, and become delinquent on January 1. All ad valorem tax revenues are recognized in compliance with NCGA Interpretation 3 and GASB Codification P70 (Revenue Recognition - Property Taxes) which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 60 days after the close of the current period.

For the 2005 tax year, taxes of 7.25 mills were levied on property within its boundaries with assessed valuation of \$9,574,630 and a taxable value of \$6,881,410 and were dedicated solely for the payment of general obligation bonds and interest thereon. Total taxes levied were \$49,893. Taxes receivable at September 30, 2005 were \$0.

OTHER SUPPLEMENTARY INFORMATION

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
SEPTEMBER 30, 2005

SCHEDULE 1

<u>Members</u>	<u>Meetings</u>	<u>Amount</u>
Olie Forshee, Jr.	12	\$ 720
George Griffin	12	720
Thomas M. Harless	13	780
Don B. Kelly	13	780
Argus Moore	12	<u>720</u>
Total		<u>\$ 3,720</u>

SCHEDULE 2

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

SECTION #1

SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

- | | | |
|----|---|-------------|
| 1. | Type of auditors' report issued. | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a) Material weaknesses identified? | None |
| | b) Reportable conditions identified not considered to be material weaknesses? | None |
| | c) Noncompliance material to the financial statements noted? | None |

SECTION #2

FINANCIAL STATEMENT FINDINGS

None reported.

HINES, JACKSON & HINES, L.L.C.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
South Toledo Bend Waterworks District
Many, Louisiana 71449

We have audited the basic financial statements of the South Toledo Bend Waterworks District, Many, Louisiana, a component unit of Sabine Parish Police Jury, as of and for the year ended September 30, 2005, and have issued our report thereon dated February 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the South Toledo Bend Waterworks District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the South Toledo Bend Waterworks District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the South Toledo Bend Waterworks District and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than the specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Hines, Jackson & Hines

Natchitoches, Louisiana
February 9, 2006

SCHEDULE 3

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
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Nothing came to our attention that would require disclosure under Government Auditing Standards.

SCHEDULE 4

SOUTH TOLEDO BEND WATERWORKS DISTRICT
MANY, LOUISIANA
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
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Nothing came to our attention that would require disclosure under Government Auditing Standards.